

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-05

CEA-01 NEAE-00 L-03 H-01 DODE-00 DOTE-00 FMC-01

CG-00 DLOS-09 OES-07 /100 W

-----035806 041237Z /45

P 041033Z OCT 77

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC PRIORITY 9772

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY AMMAN PRIORITY

USINT BAGHDAD PRIORITY

AMEMBASSY BEIRUT POUCH

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS PRIORITY

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY KUWAIT PRIORITY

AMEMBASSY MANAMA PRIORITY

AMEMBASSY MUSCAT

AMEMBASSY RABAT

AMEMBASSY SANA

AMEMBASSY TRIPOLI

AMEMBASSY TUNIS

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 6781

E.O. 11652: GDS

TAGS: ETRD, PFOR, EG

SUBJECT: ARAB BOYCOTT: COMMERCE/STATE/TREASURY DELEGATION: NOTES  
ON VISIT TO EGYPT

1. IN NEARLY ALL MEETINGS WITH EGYPTIAN/ARAB LEAGUE OFFICIALS,  
WE WERE GIVEN OPENING STATEMENTS THAT EGYPT (ARAB LEAGUE) WOULD  
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LIKE TO END BOYCOTT AND THAT THIS ONLY REQUIRED NEGOTIATED  
SOLUTION TO ARAB-ISRAEL CONFLICT. WE ALSO WERE REGULARLY  
REMIND OF U.S. BOYCOTT PRACTICES DATING BACK AS MUCH AS  
200 YEARS. ALTHOUGH WE ENCOUNTERED SOME POLEMICS  
(PARTICULARLY DURING MEETING WITH HEAD OF THE FOREIGN  
MINISTRY PALESTINE SECTION SHARRAF), GENERAL TENOR OF  
DISCUSSIONS WAS FRIENDLY, WITH QUESTIONS POSED TO US AS

TO WHAT MIGHT BE DONE TO DEAL WITH PROBLEMS ARISING FROM BOYCOTT LEGISLATION. EXPLANATION OF PROVISIONS OF EXPORT ADMINISTRATION ACT (EAA) AND PRELIMINARY EAA REGULATIONS WAS WELL RECEIVED BY OFFICIALS WITH WHOM WE MET. IT ALSO WAS CLEAR FROM THESE DISCUSSIONS (AND ALSO NOT SURPRISING) THAT COMPLEXITIES OF THE LAW HAVE NOT BEEN WIDELY UNDERSTOOD.

2. WE BELIEVE MEETINGS WITH EGYPTIAN/ARAB LEAGUE OFFICIALS AND WITH RESIDENT BUSINESSMEN HAVE PROVED USEFUL IN TERMS OF PROVIDING BETTER UNDERSTANDING OF EAA AND PRELIMINARY EAA REGULATIONS. ALSO, ALTHOUGH BOYCOTT DOCUMENTATION PROBLEMS IN EGYPT SEEM TO HAVE BEEN LESS PERVASIVE THAN IN MANY OTHER BOYCOTTING COUNTRIES, WE FOUND LETTER OF CREDIT LANGUAGE IN CURRENT USE COULD BE IN CONFLICT WITH EAA-AS PERHAPS MIGHT PROPOSED CHANGES IN LETTER OF CREDIT LANGUAGE DRAFTED IN RESPONSE TO STATE ANTI-BOYCOTT LEGISLATION.

3. DISCUSSION WITH DR. FARRA OF ARAB LEAGUE INDICATED THAT ARAB LEAGUE OFFICIALS HAVE NOT KEPT THEMSELVES WELL INFORMED ABOUT U.S. LAW. FARRA SEEMED PLEASANTLY SURPRISED AT BEING TOLD ABOUT CAREFUL FOCUS OF LAW AND REGULATIONS, EXISTENCE OF BROAD PRIMARY BOYCOTT EXCEPTION, OTHER EXCEPTIONS, AND THE PREEMPTION OF STATE ANTI-BOYCOTT LAWS. ALSO, THOUGH FARRA STATED THAT BOYCOTT CONFIDENTIAL

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QUESTIONNAIRES WERE ONLY SENT TO FIRMS ABOUT WHICH THERE WAS ADVERSE INFORMATION, ACKNOWLEDGED THAT FIRMS FAILING TO RESPOND TO SECOND NOTICE SEEKING ANSWERS TO QUESTIONNAIRES FACED SOME RISK OF BLACKLISTING; HE ALSO SAID THAT FIRMS WERE BLACKLISTED ONLY IF ADVERSE INFORMATION ABOUT SUCH FIRMS COULD BE CONFIRMED. FARRA ALSO INDICATED THAT PROBLEMS ARISING FROM QUESTIONNAIRE/NOTICE PRACTICES MIGHT BE REVIEWED BY ARAB LEAGUE MEMBERS RE POSSIBILITIES OF EXERCISING DISCRETION IN SUCH SITUATIONS.

4. DR. FARRA REPEATEDLY STRESSED THE POSITIVE ELEMENTS HE SAW IN THE EAA AS EXPLAINED, AND INSISTED THAT DELEGATION MEMBERS SHOULD MEET TO DISCUSS THE EAA AND PRELIMINARY REGULATIONS WITH CENTRAL BOYCOTT OFFICE (CBO) COMMISSIONER GENERAL MAGHOUB IN DAMASCUS. FARRA BELIEVED SUCH MEETING IMPORTANT TO AVOID MISUNDERSTANDING BY CBO OF U.S. LAW/REGULATIONS AND THEREBY AVOID, WHERE POSSIBLE, PROBLEMS IN TRANSACTING BUSINESS UNDER EAA. FARRA INSISTED HE SHOULD CALL OR TELEX MAGHOUB TO ARRANGE MEETING FOR SMALL AND MOYER DURING THEIR PLANNED VISIT TO DAMASCUS. WITH DELEGATION CONCURRENCE, FARRA UNDERTOOK TO SET UP MEETING AND ARRANGE NOTICE TO AMEMBASSY

DAMASCUS.

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ACTION NEA-10

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CEA-01 L-03 H-01 NEAE-00 DODE-00 DOTE-00 FMC-01

CG-00 DLOS-09 OES-07 /100 W

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TO SECSTATE WASHDC PRIORITY 9773

INFO AMEMBASSY ABU DHABI

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C O N F I D E N T I A L SECTION 2 OF 2 JIDDA 6781

5. IN DISCUSSION OF TAX REFORM ACT (TRA) ANTI-BOYCOTT PROVISIONS WITH EGYPTIAN MINISTRY OF PETROLEUM OFFICIALS AND WITH RESIDENT BUSINESSMEN, DELEGATION FOUND SERIOUS CONCERN ABOUT IMPLICATIONS OF TRA FOR US-EGYPTIAN ECONOMIC RELATIONS, PARTICULARLY WITH REGARD TO TRANSACTIONS UNDER AGREEMENTS ENTERED INTO BEFORE TRA WAS PASSED, AND IN AREAS WHERE TRA GUIDELINES WERE CRITICIZED AS OFFERING  
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VAGUE AND UNCERTAIN STANDARD FOR REGULATIONS OF U.S. FIRMS. CONCERN ALSO WAS EXPRESSED RE BURDEN OF DUAL SYSTEM OF OVERLAPPING AND INCONSISTENT LAWS/INTERPRETATIONS (TRA AND EAA) AIMED AT BOYCOTT PRACTICES.

6. AT CENTRAL BANK INITIATIVE, STATE REP (OTHER UNAVAILABLE) HELD MEETING WITH CENTRAL BANK, BRANCH BANK AND COMMERCIAL BANK REPRESENTATIVES. EGYPT ALREADY HAD MODIFIED ITS LETTER OF CREDIT FOR USE IN U.S. TRANSACTIONS, AS RESULT OF STATE LAWS. STATE REP INDICATED, AD REFERENDUM, THAT MOST REVISED LETTER OF CREDIT PROVISIONS NOT LIKELY TO GIVE U.S. FIRMS PROBLEMS UNDER EAA. THESE REVISED TEXTS INCLUDE FOLLOWING:

A. CERTIFICATE OF U.S.A. ORIGIN ISSUED BY THE MANUFACTURERS OR THE EXPORTERS COUNTERSIGNED BY THE CHAMBER OF COMMERCE OR THE FEDERATION OF INDUSTRIES, DULY LEGALIZED BY THE ARB REPUBLIC OF EGYPT REPRESENTATION IN THE COUNTRY OF ORIGIN OF THE GOODS.

B. IF THE RAW MATERIALS ARE MANUFACTURED OR PRODUCED WITH OTHER COUNTRIES, SUCH CERTIFICATES MUST ALSO EVIDENCE THAT THE GOODS CONSIST OF.....ORIGIN AND THE PERCENTAGE THEREOF.

C. THIS CREDIT MAY BE TRANSFERRED IN FAVOR OF INDIVIDUALS OR FIRMS PROVIDED YOUR OBTAINING OUR PRIOR APPROVAL TO THE NAME AND ADDRESS OF THE NEW BENEFICIARIES.

7. TROUBLESOME PASSAGE WAS IN SHIPPING PARAGRAPH. CONFIDENTIAL

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EGYPT HAD OBTAINED BOYCOTT OFFICE APPROVAL FOR FOLLOWING TEXT, WHICH U.S. FIRMS HAD SAID WAS ACCEPTABLE UNDER STATE LAW:

A. "DECLARATION ISSUED BY SHIPPING COMPANY OR ITS AGENTS STATING PORTS WHICH SHIP WILL CALL ON DURING ITS VOYAGE FROM U.S. TO A.R. E. PORTS, AND THAT THE SHIP IS NOT PROHIBITED TO ENTER ANY EGYPTIAN PORT."

B. AN ALTERNATIVE TEXT, USED IN NON-U.S. LETTERS OF CREDIT WAS ALSO DISCUSSED:  
"DECLARATION ISSUED BY THE SHIPPING COMPANY

OR ITS AGENTS EVIDENCING THAT THE GOODS ARE  
NOT SHIPPED ON ISRAELI SHIPS OR SHIPS CALLING  
AT ISRAELI PORTS OR WATERS."

8. STATE REP EXPLAINED THAT THE FIRST VARIANT WOULD BE  
LIKELY TO CAUSE TROUBLE UNLESS THE LAST PHRASE WERE  
AMENDED TO STATE SIMPLY: "AND THAT THE SHIP IS NOT  
ISRAELI". THE SECOND FORMULATION WOULD BE POTENTIALLY  
TROUBLESOME UNLESS THE WORD "ENROUTE" WERE ADDED TO THE  
PHRASE "CALLING AT ISRAELI PORTS OR WATERS". THE POSSIB-  
ILITY OF USING "ON THE VOYAGE" INSTEAD OF "ENROUTE" WAS  
ALSO RAISED, BUT STATE REP INDICATED THIS VARIANT NOT AS  
CERTAIN TO BE ACCEPTABLE AS "ENROUTE". THIS WAS DISCUSSED  
AT GREAT LENGTH AND THE BANKERS' CONCERN OVER THE NEEDED  
CHANGE WAS CLEAR, PARTICULARLY IN LIGHT OF THE NEED THEY  
SAW TO GET ANY FURTHER CHANGE APPROVED BY THE EGYPTIAN  
BOYCOTT OFFICE.

9. BANK OFFICIALS ASKED THAT CONFIRMATION OR MODIFICA-  
TION OF THESE VIEWS BE PROVIDED WHEN AVAILABLE.

10. DELEGATION MEMBERS WISH TO THANK MESSRS. MATTOX,  
CRAIG AND O'CONNELLS, DRIVERS AND OTHERS WHO GAVE  
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US SUPERB SUPPORT AND HELPED MAKE VISIT A VERY SUCCESSFUL ONE.  
WEST

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## Message Attributes

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**To:** STATE  
**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009